

House Engrossed

State of Arizona
House of Representatives
Forty-seventh Legislature
First Regular Session
2005

CHAPTER 302

HOUSE BILL 2779

AN ACT

AMENDING SECTIONS 15-972, 41-1276, 42-15001, 48-4023 AND 48-4023.01, ARIZONA
REVISED STATUTES; RELATING TO PROPERTY TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-972, Arizona Revised Statutes, is amended to
3 read:

4 15-972. State limitation on homeowner property taxes;
5 additional state aid to school districts; definition

6 A. Notwithstanding section 15-971, there shall be additional state aid
7 for education computed for school districts as provided in subsection B of
8 this section.

9 B. The clerk of the board of supervisors shall compute such additional
10 state aid for education as follows:

11 1. For a high school district or for a common school district within a
12 high school district which does not offer instruction in high school subjects
13 as provided in section 15-447:

14 (a) Determine the tax rate for primary property taxes for the school
15 district which would be levied in lieu of the provisions of this section.

16 (b) Determine ~~thirty-five per cent~~ THE FOLLOWING PERCENTAGE of the tax
17 rate determined in subdivision (a) of this paragraph: —

18 (i) THIRTY-FIVE PER CENT THROUGH DECEMBER 31, 2005.

19 (ii) THIRTY-SIX PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2005
20 THROUGH DECEMBER 31, 2006.

21 (iii) THIRTY-SEVEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2006
22 THROUGH DECEMBER 31, 2007.

23 (iv) THIRTY-EIGHT PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2007
24 THROUGH DECEMBER 31, 2008.

25 (v) THIRTY-NINE PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2008
26 THROUGH DECEMBER 31, 2009.

27 (vi) FORTY PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2009.

28 (c) Select the lesser of the amount determined in subdivision (b) of
29 this paragraph or the current qualifying tax rate for the district.

30 (d) Multiply the rate selected in subdivision (c) of this paragraph as
31 a rate per one hundred dollars assessed valuation by the assessed valuation
32 used for primary property taxes of the residential property in the school
33 district.

34 2. For a unified school district, for a common school district not
35 within a high school district or for a common school district which offers
36 instruction in high school subjects as provided in section 15-447:

37 (a) Determine the tax rate for primary property taxes for the school
38 district which would be levied in lieu of the provisions of this section.

39 (b) Determine ~~thirty-five per cent~~ THE FOLLOWING PERCENTAGE of the tax
40 rate determined in subdivision (a) of this paragraph: —

41 (i) THIRTY-FIVE PER CENT THROUGH DECEMBER 31, 2005.

42 (ii) THIRTY-SIX PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2005
43 THROUGH DECEMBER 31, 2006.

44 (iii) THIRTY-SEVEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2006
45 THROUGH DECEMBER 31, 2007.

1 (iv) THIRTY-EIGHT PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2007
2 THROUGH DECEMBER 31, 2008.

3 (v) THIRTY-NINE PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2008
4 THROUGH DECEMBER 31, 2009.

5 (vi) FORTY PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2009.

6 (c) Select the lesser of the amount determined in subdivision (b) of
7 this paragraph or the current qualifying tax rate for the district.

8 (d) Multiply the rate selected in subdivision (c) of this paragraph as
9 a rate per one hundred dollars assessed valuation by the assessed valuation
10 used for primary property taxes of the residential property in the district.

11 C. The clerk of the board of supervisors shall report to the
12 department of revenue not later than the Friday following the third Monday in
13 August of each year the amount by school district of additional state aid for
14 education and the data used for computing the amount as provided in
15 subsection B of this section. The department of revenue shall verify all of
16 the amounts and report to the county board of supervisors not later than
17 August 30 of each year the property tax rate or rates which shall be used for
18 property tax reduction as provided in subsection E of this section.

19 D. The board of supervisors shall reduce the property tax rate or
20 rates that would be levied in lieu of the provisions of this section by the
21 school district or districts on the assessed valuation used for primary
22 property taxes of the residential property in the school district or
23 districts by the rate or rates selected in subsection B, paragraph 1,
24 subdivision (c) and paragraph 2, subdivision (c) of this section. THE EXCESS
25 OF THE REDUCTION IN PROPERTY TAXES FOR A PARCEL OF PROPERTY RESULTING FROM
26 THE REDUCTION IN THE PROPERTY TAX RATE PURSUANT TO THIS SUBSECTION OVER THE
27 AMOUNTS LISTED IN THIS SUBSECTION SHALL BE DEDUCTED FROM THE AMOUNT OF
28 ADDITIONAL STATE AID FOR EDUCATION. The reduction in property taxes on a
29 parcel of property resulting from the reduction in the property tax rate
30 pursuant to this subsection shall not exceed five hundred dollars THE
31 FOLLOWING AMOUNTS except as provided in subsection I of this section: ~~The~~
32 ~~excess of the reduction in property taxes for a parcel of property resulting~~
33 ~~from the reduction in the property tax rate pursuant to this subsection over~~
34 ~~five hundred dollars shall be deducted from the amount of additional state~~
35 ~~aid for education.~~

36 1. FIVE HUNDRED DOLLARS THROUGH DECEMBER 31, 2005.

37 2. FIVE HUNDRED TWENTY DOLLARS BEGINNING FROM AND AFTER DECEMBER 31,
38 2005 THROUGH DECEMBER 31, 2006.

39 3. FIVE HUNDRED FORTY DOLLARS BEGINNING FROM AND AFTER DECEMBER 31,
40 2006 THROUGH DECEMBER 31, 2007.

41 4. FIVE HUNDRED SIXTY DOLLARS BEGINNING FROM AND AFTER DECEMBER 31,
42 2007 THROUGH DECEMBER 31, 2008.

43 5. FIVE HUNDRED EIGHTY DOLLARS BEGINNING FROM AND AFTER DECEMBER 31,
44 2008 THROUGH DECEMBER 31, 2009.

45 6. SIX HUNDRED DOLLARS BEGINNING FROM AND AFTER DECEMBER 31, 2009.

1 E. Prior to the levying of taxes for school purposes the board of
2 supervisors shall determine whether the total primary property taxes to be
3 levied for all taxing jurisdictions on each parcel of residential property,
4 in lieu of the provisions of this subsection, violate article IX, section 18,
5 Constitution of Arizona. For those properties that qualify for property tax
6 exemptions pursuant to article IX, sections 2, 2.1 and 2.2, Constitution of
7 Arizona, eligibility for the credit is determined on the basis of the limited
8 property value that corresponds to the taxable assessed value after reduction
9 for the applicable exemption. If the board of supervisors determines that
10 such a situation exists, the board shall apply a credit against the primary
11 property taxes due from each such parcel in the amount in excess of article
12 IX, section 18, Constitution of Arizona. Such excess amounts shall also be
13 additional state aid for education for the school district or districts in
14 which such parcel of property is located.

15 F. The clerk of the board of supervisors shall report to the
16 department of revenue not later than September 5 of each year the amount by
17 school district of additional state aid for education and the data used for
18 computing the amount as provided in subsection B of this section. The
19 department of revenue shall verify all of the amounts and report to the board
20 of supervisors not later than September 10 of each year the property tax rate
21 which shall be used for property tax reduction as provided in subsection E of
22 this section.

23 G. The clerk of the board of supervisors shall report to the
24 department of revenue not later than September 30 of each year in writing the
25 following:

26 1. The data processing specifications used in the calculations
27 provided for in subsections B and E of this section.

28 2. At a minimum, copies of two actual tax bills for residential
29 property for each distinct tax area.

30 H. The department of revenue shall report to the state board of
31 education not later than October 12 of each year the amount by school
32 district of additional state aid for education as provided in this section.
33 The additional state aid for education provided in this section shall be
34 apportioned as provided in section 15-973, except that payments for
35 additional state aid for education for unsecured property shall be paid on
36 the fifteenth day of the month based on claims submitted by the department of
37 revenue. The department of revenue shall submit claims for unsecured
38 property before the first day of each month for which payments are requested.

39 I. If a parcel of property is owned by a cooperative apartment
40 corporation or is owned by the tenants of a cooperative apartment corporation
41 as tenants in common, the reduction in the property taxes prescribed in
42 subsection D of this section shall not exceed ~~five hundred dollars~~ THE
43 AMOUNTS LISTED IN SUBSECTION D OF THIS SECTION for each owner occupied
44 housing unit on the property. The assessed value used for determining the
45 reduction in taxes for the property is equal to the total assessed value of

1 the property times the ratio of the number of owner occupied housing units to
2 the total number of housing units on the property. ~~As used in~~ FOR THE
3 PURPOSES OF this subsection, "cooperative apartment corporation" means a
4 corporation:

5 1. Having only one class of outstanding stock.

6 2. All of the stockholders of which are entitled, solely by reason of
7 their ownership of stock in the corporation, to occupy for dwelling purposes
8 apartments in a building owned or leased by such corporation and who are not
9 entitled, either conditionally or unconditionally, except upon a complete or
10 partial liquidation of the corporation, to receive any distribution not out
11 of earnings and profits of the corporation.

12 3. Eighty per cent or more of the gross income of which is derived
13 from tenant-stockholders. For THE purposes of this paragraph, "gross income"
14 means gross income as defined by the United States internal revenue code, as
15 defined in section 43-105.

16 J. The total amount of state monies that may be spent in any fiscal
17 year for state aid for education in this section shall not exceed the amount
18 appropriated or authorized by section 35-173 for that purpose. This section
19 shall not be construed to impose a duty on an officer, agent or employee of
20 this state to discharge a responsibility or to create any right in a person
21 or group if the discharge or right would require an expenditure of state
22 monies in excess of the expenditure authorized by legislative appropriation
23 for that specific purpose.

24 K. For THE purposes of this section, "residential property" means
25 residential property as defined in article IX, section 18, subsection (1),
26 Constitution of Arizona, except that it does not mean leased or rented
27 property that is listed as class four pursuant to section 42-12004.

28 Sec. 2. Section 41-1276, Arizona Revised Statutes, is amended to read:

29 41-1276. Truth in taxation levy for equalization assistance to
30 school districts

31 A. On or before February 15 of each year, the joint legislative budget
32 committee shall compute and transmit the truth in taxation rates for
33 equalization assistance for school districts for the following fiscal year
34 to:

35 1. The chairmen of the house of representatives ways and means
36 committee and the senate finance committee OR THEIR SUCCESSOR COMMITTEES.

37 2. The chairmen of the appropriations committees of the senate and the
38 house of representatives OR THEIR SUCCESSOR COMMITTEES.

39 B. The truth in taxation rates consist of the qualifying tax rate for
40 a high school district or a common school district within a high school
41 district that does not offer instruction in high school subjects pursuant to
42 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
43 unified district, a common school district not within a high school district
44 or a common school district within a high school district that offers
45 instruction in high school subjects pursuant to section 15-971, subsection B,

1 paragraph 2 and a county equalization assistance for education tax rate
2 pursuant to section 15-994 that will offset the change in net assessed
3 valuation of property that was subject to tax in the prior year.

4 C. The joint legislative budget committee shall compute the truth in
5 taxation rates as follows:

6 1. Determine the statewide primary net assessed value for the
7 preceding tax year as provided in section 42-17151, subsection A, paragraph
8 3.

9 2. Determine the statewide primary net assessed value for the current
10 tax year, excluding the net assessed value of property that was not subject
11 to tax in the preceding year.

12 3. Divide the amount determined in paragraph 1 of this subsection by
13 the amount determined in paragraph 2 of this subsection.

14 4. Adjust the qualifying tax rates and the county equalization
15 assistance for education tax rate for the current fiscal year by the
16 percentage determined in paragraph 3 of this subsection in order to offset
17 the change in net assessed value.

18 D. Except as provided in subsections E and G of this section, the
19 qualifying tax rate for a high school district or a common school district
20 within a high school district that does not offer instruction in high school
21 subjects, the qualifying tax rate for a unified school district, a common
22 school district not within a high school district or a common school district
23 within a high school district that offers instruction in high school subjects
24 and the county equalization assistance for education tax rate for the
25 following fiscal year shall be the rate determined by the joint legislative
26 budget committee pursuant to subsection C of this section. The committee
27 shall transmit the rates to the superintendent of public instruction and the
28 county boards of supervisors by March 15 each year.

29 E. If the legislature proposes either qualifying tax rates or a county
30 equalization assistance for education tax rate that exceeds the truth in
31 taxation rate:

32 1. The house of representatives ways and means committee and the
33 senate finance committee OR THEIR SUCCESSOR COMMITTEES shall hold a joint
34 hearing on or before February 28 and publish a notice of a truth in taxation
35 hearing that meets the following requirements:

36 (a) The notice shall be published twice in a newspaper of general
37 circulation in this state that is published at the state capital. The first
38 publication shall be at least fourteen but not more than twenty days before
39 the date of the hearing. The second publication shall be at least seven but
40 not more than ten days before the date of the hearing.

41 (b) The notice shall be published in a location other than the
42 classified or legal advertising section of the newspaper.

43 (c) The notice shall be at least one-fourth page in size and shall be
44 surrounded by a solid black border at least one-eighth inch in width.

1 (d) The notice shall be in the following form, with the "truth in
2 taxation hearing - notice of tax increase" headline in at least eighteen
3 point type:

4 Truth in Taxation Hearing

5 Notice of Tax Increase

6 In compliance with section 41-1276, Arizona Revised
7 Statutes, the state legislature is notifying property taxpayers
8 in Arizona of the legislature's intention to raise the property
9 tax levy over last year's level.

10 The proposed tax increase will cause the taxes on a
11 \$100,000 home to increase by \$_____.

12 All interested citizens are invited to attend a public
13 hearing on the tax increase that is scheduled to be held
14 _____ (date and time) at _____ (location).

15 (e) For purposes of computing the tax increase on a one hundred
16 thousand dollar home as required by the notice, the joint meeting of the
17 house of representatives ways and means committee and the senate finance
18 committee OR THEIR SUCCESSOR COMMITTEES shall consider the difference between
19 the truth in taxation rate and the proposed increased rate.

20 2. The joint meeting of the house of representatives ways and means
21 committee and the senate finance committee OR THEIR SUCCESSOR COMMITTEES
22 shall consider any motion to recommend the proposed tax rates to the full
23 legislature by roll call vote.

24 F. In addition to publishing the truth in taxation notice under
25 subsection E, paragraph 1 of this section, the joint meeting of the house of
26 representatives ways and means committee and the senate finance committee OR
27 THEIR SUCCESSOR COMMITTEES shall issue a press release containing the truth
28 in taxation notice.

29 G. Notwithstanding any other law, the legislature shall not adopt a
30 state budget that provides for either qualifying tax rates pursuant to
31 section 15-971 or a county equalization assistance for education tax rate
32 pursuant to section 15-994 that exceeds the truth in taxation rates computed
33 pursuant to subsection A of this section unless the rates are adopted by a
34 concurrent resolution approved by an affirmative roll call vote of two-thirds
35 of the members of each house of the legislature before the legislature enacts
36 the general appropriations bill. If the resolution is not approved by
37 two-thirds of the members of each house of the legislature, the rates for the
38 following fiscal year shall be the truth in taxation rates determined
39 pursuant to subsection C of this section and shall be transmitted to the
40 superintendent of public instruction and the county boards of supervisors.

41 H. Notwithstanding subsection C of this section and if approved by the
42 qualified electors voting at a statewide general election, the legislature
43 shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high
44 school district or \$4.253 for a unified school district. The legislature

1 shall not set a county equalization assistance for education rate that
2 exceeds \$0.5123.

3 I. PURSUANT TO SUBSECTION C OF THIS SECTION, THE QUALIFYING TAX RATE
4 IN FISCAL YEAR 2006 FOR A COMMON OR HIGH SCHOOL DISTRICT IS \$1.8090 AND FOR A
5 UNIFIED SCHOOL DISTRICT IS \$3.6180. THE COUNTY EQUALIZATION ASSISTANCE FOR
6 EDUCATION RATE IN FISCAL YEAR 2006 IS \$0.4358.

7 Sec. 3. Section 42-15001, Arizona Revised Statutes, is amended to
8 read:

9 42-15001. Assessed valuation of class one property

10 The assessed valuation of class one property described in section
11 42-12001 is ~~twenty-five per cent~~ THE FOLLOWING PERCENTAGE of its full cash
12 value or limited valuation, as applicable: —

13 1. TWENTY-FIVE PER CENT THROUGH DECEMBER 31, 2005.

14 2. TWENTY-FOUR AND ONE-HALF PER CENT BEGINNING FROM AND AFTER DECEMBER
15 31, 2005 THROUGH DECEMBER 31, 2006.

16 3. TWENTY-FOUR PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2006
17 THROUGH DECEMBER 31, 2007.

18 4. TWENTY-THREE AND ONE-HALF PER CENT BEGINNING FROM AND AFTER
19 DECEMBER 31, 2007 THROUGH DECEMBER 31, 2008.

20 5. TWENTY-THREE PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2008
21 THROUGH DECEMBER 31, 2009.

22 6. TWENTY-TWO AND ONE-HALF PER CENT BEGINNING FROM AND AFTER DECEMBER
23 31, 2009 THROUGH DECEMBER 31, 2010.

24 7. TWENTY-TWO PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2010
25 THROUGH DECEMBER 31, 2011.

26 8. TWENTY-ONE AND ONE-HALF PER CENT BEGINNING FROM AND AFTER DECEMBER
27 31, 2011 THROUGH DECEMBER 31, 2012.

28 9. TWENTY-ONE PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2012
29 THROUGH DECEMBER 31, 2013.

30 10. TWENTY AND ONE-HALF PER CENT BEGINNING FROM AND AFTER DECEMBER 31,
31 2013 THROUGH DECEMBER 31, 2014.

32 11. TWENTY PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2014.

33 Sec. 4. Section 48-4023, Arizona Revised Statutes, is amended to read:

34 48-4023. Property tax levy

35 A. If a majority of the qualified electors voting at an election held
36 pursuant to section 48-4021 approves a county jail district ad valorem
37 property tax, on or before the third Monday in August each year the district
38 shall certify to the county board of supervisors the amount of taxes to be
39 levied for the taxable year on the taxable property in the district which,
40 together with unexpended balances carried forward from the previous fiscal
41 year and revenues from all other sources, is necessary to pay the maintenance
42 and operation expenses of the district in carrying out the objects and
43 purposes of this chapter.

1 B. The board of supervisors shall levy a secondary property tax on the
2 taxable property in the district, at the same time and in the same manner as
3 county taxes are levied, sufficient to provide the amount certified under
4 subsection A of this section, but the tax rate is limited to, and shall not
5 exceed in any event, twenty cents per one hundred dollars of assessed
6 valuation, EXCEPT AS PROVIDED IN SUBSECTION D OF THIS SECTION. The tax
7 revenues collected pursuant to this section shall be paid to the district
8 treasurer and deposited in the county jail district general fund and used
9 solely for the purposes for which they were collected.

10 C. The tax shall be levied on all of the taxable property in the
11 district.

12 D. NOTWITHSTANDING SUBSECTION B OF THIS SECTION, FOR TAX YEARS 2006,
13 2007 AND 2008, THE DISTRICT MAY CERTIFY AND THE BOARD OF SUPERVISORS SHALL
14 LEVY A SECONDARY PROPERTY TAX ON THE TAXABLE PROPERTY IN THE DISTRICT IN AN
15 AMOUNT EQUAL TO THE AMOUNT LEVIED IN TAX YEAR 2005.

16 Sec. 5. Section 48-4023.01, Arizona Revised Statutes, is amended to
17 read:

18 48-4023.01. Property tax levy for juvenile detention facilities

19 A. If a majority of the qualified electors voting at an election held
20 pursuant to section 48-4021 approves an ad valorem property tax for the
21 district that includes juvenile detention facilities or if a majority of the
22 qualified electors voting at an election held pursuant to section 48-4004
23 approves the inclusion of juvenile detention facilities in a district that
24 was created by an election held pursuant to section 48-4021, the district may
25 impose an ad valorem property tax pursuant to this section. The district
26 shall certify to the county board of supervisors on or before the third
27 Monday in August of each year the amount of taxes to be levied in addition to
28 the levy in section 48-4023 for the taxable year on the taxable property in
29 the district. The amount certified together with unexpended balances carried
30 forward from the previous fiscal year and revenues from all other sources
31 shall be the amount necessary to pay the maintenance and operation expenses
32 of the district in carrying out this chapter in relation to juvenile
33 detention facilities.

34 B. The board of supervisors may levy a secondary property tax on the
35 taxable property in the district at the same time and in the same manner as
36 county taxes are levied in an amount that is sufficient to provide the amount
37 certified pursuant to subsection A of this section. The tax rate is limited
38 to ten cents per one hundred dollars of assessed valuation, EXCEPT AS
39 PROVIDED IN SUBSECTION D OF THIS SECTION. The tax revenues collected
40 pursuant to this section shall be paid to the district treasurer for deposit
41 in the county jail district general fund and shall be used solely for
42 juvenile detention facilities.

43 C. The tax shall be levied on all of the taxable property in the
44 district.

1 D. NOTWITHSTANDING SUBSECTION B OF THIS SECTION, FOR TAX YEARS 2006,
2 2007 AND 2008, THE DISTRICT MAY CERTIFY AND THE BOARD OF SUPERVISORS SHALL
3 LEVY A SECONDARY PROPERTY TAX ON THE TAXABLE PROPERTY IN THE DISTRICT IN AN
4 AMOUNT EQUAL TO THE AMOUNT LEVIED IN TAX YEAR 2005.

5 Sec. 6. Purpose

6 It is the intent of this legislature to enact broad-based property tax
7 reductions for homeowners, small businesses and major employers. Property
8 tax reductions, especially for businesses creating jobs, stimulate Arizona's
9 economy by encouraging existing businesses to expand and new business to
10 relocate to this state. To accomplish this, the forty-seventh legislature is
11 committed to not only the substantial reforms in this act, but to future
12 reductions or limitations in the property tax rates under its control - the
13 education qualifying tax and the county education tax rate, both of which are
14 a part of the state assistance to local education law.

APPROVED BY THE GOVERNOR MAY 20, 2005.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 20, 2005.

Passed the House May 6, 20 05,

by the following vote: 41 Ayes,

15 Nays, 4 Not Voting

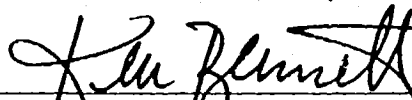

Speaker of the House



Chief Clerk of the House

Passed the Senate May 6, 20 05,

by the following vote: 22 Ayes,

4 Nays, 4 Not Voting


President of the Senate


~~Assistant~~ Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

13th day of May, 20 05

at 11:20 o'clock a. M.


Secretary to the Governor

Approved this 20 day of

May, 20 05,

at 11:30 o'clock A. M.


Governor of Arizona

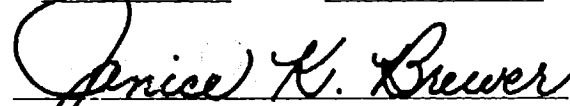
H.B. 2779

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

This 20 day of May, 20 05,

at 3:03 o'clock P. M.


Secretary of State